ECONOMIC COMMENTARY

How is the current Slowdown affecting Alberta's Municipalities?

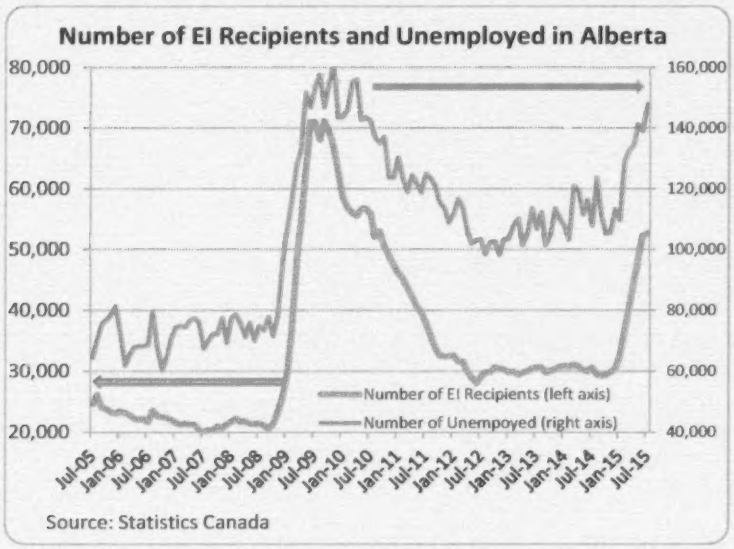
September 30, 2015

Highlights:
The current economic slowdown has resulted in rapidly rising unemployment in Alberta this year. The hardest hit municipalities are those that depend on the oil and gas services sector which has seen the largest employment losses this year.

Alberta Government

Overview

Most economic indicators suggest that Alberta is currently in a shallow recession, mainly as a result of sharply lower crude oil prices. According to the First Quarter Fiscal Update and Economic Statement Alberta's GDP is expected to contract by 0.6% this year. The recession has caused Alberta's unemployment rate to rise from 4.5% in January to 6.0% in August as companies in the manufacturing, construction, professional services and especially the oil and gas services sectors have been cutting back. Unfortunately, there is a scarcity of sub-provincial indicators that show how Alberta's municipalities are doing during this recession. The only indicator that is both fairly timely and available for municipalities is the number of Employment Insurance (EI) recipients receiving regular income benefits. The number of EI recipients is a useful unemployment indicator as EI covers eligible individuals who lose their jobs and who are available for and able to work, but cannot find a job. At the Alberta level the number of recipients has risen from a low of 29,290 in September 2014 to 52,700 in July 2015 while the number of unemployed rose from 110,700 to 147,800 over the same period[1].



EI Trends in Alberta's Municipalities

Because Statistics Canada rounds all EI estimates to the nearest 10 and because there is considerable volatility in the estimates for smaller centres we compare the average number of recipients during the most recent three-month period (May to July) to the average number for the same period of 2014 in this section.

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[1] There is always a certain proportion of unemployed people who do not qualify for benefits. Some unemployed people have not contributed to the program because they have not worked in the past 12 months or their employment is not insured. Other unemployed people have contributed to the program but do not meet the eligibility criteria, such as workers who left their job voluntarily or those who did not accumulate enough hours of work to receive benefits (source: http://www.statcan.gc.ca/daily-quotidien/150820/dq150820b-eng.htm).

Table 1 presents the EI trends for Alberta's largest municipalities (on an EI basis). For Alberta's two largest municipalities, Calgary and Edmonton, which together account for about one-half of the total number of EI recipients in Alberta, the numbers rose by 68% and 72%, respectively, on a year-over-year basis, less than the 77% increase for Alberta as a whole. The main reason for the lower increases is that in both cities the oil and gas services sector accounts for relatively far fewer jobs than in most other communities.

Table 1 – Top Ten Municipalities on EI Basis

	Average number of EI recipients May to July 2014	Average number of EI recipients May to July 2015	Per cent Change
Calgary	8,733	14,703	68%
Edmonton	7,080	12,187	72%
Red Deer	627	1,743	178%
RM of Wood Buffalo	850	1,543	82%
Grande Prairie	433	1,123	159%
Medicine Hat	510	907	78%
Strathcona County	520	813	56%
Airdrie	427	700	64%
Lethbridge	570	687	21%
Leduc	250	593	137%

Among the other large municipalities Red Deer registered the largest increase of 178%. This large increase can be explained by the large share of employment that the oil and gas services sector accounts for. Large increases were also registered in Grande Prairie (up 159%) and Leduc (up 137%). In Lethbridge EI recipients only rose 21% because the oil and gas sector accounts for a very small share of employment in the city. The more interesting observation is the lower than expected 82% increase in the Wood Buffalo region, the centre of oil sands production. Although oil sands investment is sharply lower this year and jobs have been lost in the Wood Buffalo region, many of these lost jobs were occupied by workers from other parts of the province and other provinces, and would not show up in Wood Buffalo's EI numbers. Moreover, oil sands production remains strong and therefore not many jobs have been lost yet at existing production facilities – just at new projects.

In Table 2 the municipalities with more than 50 EI recipients in both time periods and with the largest year-over-year increases are shown. All of these municipalities are heavily dependent on the oil and gas sector and on the oil and gas services sub-sector in particular. According to the 2011 National Household Survey, the most recent source to include employment estimates at the municipal level, the oil and gas services sub-sector accounted for 2.9% of all jobs in Alberta. All of the communities in Table 2 have much higher shares, ranging from 4.8% in Lacombe to 13.1% in Bonnyville and the Municipal District of Opportunity. Seven of the top eight municipalities listed below have shares that are greater than 10%. In the town of Blackfalds the number of EI recipients has more than quadrupled over the past year in part because of its dependence on the oil and gas services sector. In Lloydminster EI recipients more than tripled and they nearly tripled in Drayton Valley.

Table 2 – Largest Increases in EI Recipients

	Average number of EI recipients May to July 2014	Average number of EI recipients May to July 2015	Per cent Change	Oil and gas services share
Blackfalds	50	207	314%	12.0%
Lloydminster	127	407	220%	11.6%
Drayton Valley	77	230	199%	12.8%
Sylvan Lake	107	303	183%	10.1%
Red Deer	627	1,743	178%	7.2%
Brooks	120	333	178%	12.9%
Bonnyville	80	217	171%	13.1%
Grande Prairie	433	1,123	159%	11.0%
Grande Prairie County	90	223	148%	9.8%
Lacombe	73	180	147%	4.8%
Cold Lake	137	337	146%	8.3%
Devon	53	130	145%	4.9%
Red Deer County	87	210	141%	6.1%
Leduc	250	593	137%	7.1%
Whitecourt	120	273	128%	12.8%
Rocky Mountain House	100	227	127%	7.0%
MD of Opportunity	90	197	119%	13.1%
Leduc County	73	160	119%	10.8%
Beaver County	57	120	111%	12.4%
Slave Lake	83	173	108%	9.5%

Sources: Statistics Canada's EI database and the 2011 National Household Survey

Between the May to July 2014 period and the same period of 2015, the municipalities registering the smallest increases in the number of EI recipients are mostly those with a relatively low share of workers in the oil and gas services sector. For instance, in Canmore and Lethbridge the number of EI recipients rose 14% and 21%, respectively, and their oil and gas services sector shares were only 0.3% and 0.5% in 2011. The one major exception is Valleyview which has the smallest increase in EI recipients and yet has a large oil and gas services sector.

Table 3 – Smallest Increases in EI Recipients

	Average number of EI recipients May to July 2014	Average number of EI recipients May to July 2015	Per cent Change	Oil and gas services share
Valleyview	77	87	13%	10.5%
Clear Hills	73	83	14%	2.0%
Canmore	90	103	14%	0.3%
High Level	90	103	14%	5.4%
Mackenzie County	87	100	15%	1.8%
Lethbridge	570	687	21%	0.5%
Morinville	110	137	25%	1.1%
Onoway	80	107	34%	NA
Sturgeon County	107	147	37%	1.6%
Lac Ste. Anne County	70	97	39%	2.1%
Lamont County	50	70	40%	0.9%
High Prairie	83	117	41%	4.3%
St. Paul County	87	123	41%	7.6%
Didsbury	53	77	45%	2.7%
St. Albert	353	523	48%	0.9%
Gibbons	47	70	49%	NA

Sources: Statistics Canada's EI database and the 2011 National Household Survey

NA: estimates were not released by Statistics Canada as they are too small to be considered reliable

In summary, in Alberta the municipalities that are impacted the most by the economic slowdown are those that are heavily dependent on the oil and gas services sector.